

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2014

Docket No. ACR2014

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued January 9, 2015)

To clarify the basis of the Postal Service's estimates in its FY 2014 Annual Compliance Report (ACR), filed December 29, 2014,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than January 16, 2015.

International Mail

1. The following questions pertain to the quality of service link to terminal dues for Inbound Letter Post.
 - a. For CY 2013, please provide the final monthly and annual quality of service measurement results for the link to terminal dues provided to the Postal Service by the International Post Corporation (IPC) or its contractor.
 - b. For CY 2014, please provide the preliminary monthly quality of service measurement results for the link to terminal dues provided to the Postal Service by the IPC or its contractor.
 - c. For any month during CY 2014 for which the preliminary monthly quality of service measurement results for the link to terminal dues have not been provided to the Postal Service, please provide such preliminary monthly

¹ United States Postal Service FY 2014 Annual Compliance Report, December 29, 2014 (FY 2014 ACR).

quality of service measurement results as they become available from the IPC or its contractor.

2. The following questions concern inbound Express Mail Service (EMS).
 - a. Please provide the EMS Cooperative quarterly report card for CY 2013, Quarter 4.
 - b. Please provide the available EMS Cooperative quarterly report cards for CY 2014 provided to the Postal Service.
 - c. For any quarter during CY 2014 for which the EMS Cooperative quarterly report cards is not yet available, please provide such quarterly report cards as they become available.
3. The following questions concern inbound EMS and the Kahala Posts Group (KPG).
 - a. Please identify the foreign postal operators that were members of the KPG during FY 2014, and which of those member posts entered inbound EMS into the U.S.
 - b. Please confirm that during FY 2014, the EMS Cooperative Pay-for-Performance Plan was applicable to all KPG members identified in your response to subpart a. above. If not confirmed, please identify KPG member posts that were not subject to the EMS Cooperative Pay-for-Performance Plan and explain why the EMS Cooperative Pay-for-Performance Plan was not applicable to each such KPG member post.
 - c. The KPG Strategic Services Agreement contains the conditions for date-certain delivery performance in which late delivery results in penalties in the form of a postage refund. Please provide all reports (fiscal year, calendar year, and quarterly reports) that measure the service performance of inbound EMS from KPG member posts during FY 2014 with respect to late deliveries, penalties and any other service performance metrics. Include in your response the number of late

deliveries for which a postage refund was made and the total amount of such refunds in FY 2014 for each KPG member post.

- d. Please identify where in Library Reference USPS-FY14-NP2 or elsewhere in the ACR the FY 2014 “booked” and “imputed” financial results for inbound EMS entered by KPG member posts can be found. Please provide such financial results if they are not presented in the FY 2014 International Cost and Revenue Analysis (ICRA) or elsewhere in the ACR.
4. The following question concerns the financial performance of Inbound Air Parcel Post (at non-Universal Postal Union (UPU) rates) and the International Money Transfer Service (IMTS)–Outbound product. For FY 2014, both the booked and imputed versions of the ICRA report a loss for Inbound Air Parcel Post (at non-UPU rates) and the IMTS–Outbound product. FY 2014 ACR at 47. The Postal Service states: “Both products involve complex issues, and the Postal Service continues to pursue opportunities for improvement.” *Id.* Please explain the causes of the loss for Inbound Air Parcel Post (at non-UPU rates) and the IMTS-Outbound product and how the Postal Service intends to improve the financial results for each.
5. Inbound Air Parcel Post (at non-UPU rates) consists of financial results for Royal Mail and collectively for several European postal operators that have executed bilateral agreements pursuant to Annex B2 of the Agreement for the Delivery of Day Certain Cross-Border Parcels (EPG Agreement), which predates the PAEA. During FY 2013, the Postal Service implemented an EPG continuous improvement plan making operational improvements to decrease penalty payments and increase revenue for EPG parcels. The plan established calendar quarter On-Time Performance goals in order to achieve improved performance.² Postal Service Response to CHIR No. 5, question 3(a).

² Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-3.b., and 7-12 of Chairman’s Information Request No. 5, February 11, 2014 (Postal Service Response to CHIR No. 5).

- a. Please provide the On-Time Performance goals, and the on-time performance achieved, for each calendar quarter of 2014 and, for comparison purposes, each calendar quarter of 2013. If information concerning on-time performance achieved for any calendar quarter of 2014 (or 2013) is not available, please provide such information as it becomes available.
 - b. For FY 2014, please explain what caused the Postal Service to make penalty payments, and whether such payments were made pursuant to provisions of bilateral agreements executed pursuant to Annex B2 of the EPG Agreement, or any other bilateral or multilateral agreements.
 - c. For FY 2014, please provide the total amount of penalty payments, and the related trigger events (*i.e.*, late delivery, late transmissions, missing delivery information, etc.) that caused the penalty payments.
6. The following questions concern the International Money Transfer Service (IMTS).
 - a. For the IMTS–Outbound product during FY 2014, please provide the total number of In-Office Cost System (IOCS) tallies, the coefficient of variation (CV) for the IOCS-based cost estimate, and the 95 percent confidence interval for the cost coverage.
 - b. For FY 2014, no volume variable or product-specific costs are reported for the IMTS–Inbound product. See Library Reference USPS-FY14-NP2, Excel files “Reports (Booked).xls” and “Reports.xls,” worksheet tabs A Pages (c), Tables A-2 in each file. Please explain why no FY 2014 volume variable and product-specific costs for the IMTS–Inbound product are reported. If such costs were incurred, please provide them.
7. The following questions concern revenues and transaction volumes for the IMTS–Inbound product. The Postal Service states that revenue reported for the IMTS–Inbound product represents fees the Postal Service receives from certain foreign postal operators for cashing their inbound international money orders.

Such fee revenue is reported in General Leger Account 43317: Money Order Fees—Commission for Redeeming International Foreign Issue, net of any Postal Service payments to foreign postal operators for international money orders issued by the Postal Service that are cashed by such operators.

- a. For FY 2014, please confirm that the Postal Service has bilateral agreements for international money transfer services (*i.e.*, international money orders) with the following foreign postal operators (or countries): Montserrat, St. Kitts, British Virgin Islands, Bahamas, Barbados, Japan, Peru, St. Vincent, Belize, and Dominica. If not confirmed, please identify the foreign postal operators with which the Postal Service has bilateral agreements for international money transfer services.
- b. For FY 2014, please specify which of the foreign postal operators identified in response to subpart a., have a bilateral agreement with the Postal Service that provides for a commission or other payment for cashing international money orders.
- c. For any foreign postal operators identified in subpart a., but not identified in subpart b., please explain how the Postal Service is compensated by such operators when their international money orders are cashed at post offices.
- d. For FY 2014, please provide the fee revenue from the foreign postal operators identified in response to subpart b., the face value of the associated international money orders cashed, and the associated transaction volume.
- e. Given that IMTS—Inbound product revenue reported in General Leger Account 43317 is a net amount, please provide the Postal Service payments to each foreign postal operator identified in subpart b., for cashing international money orders issued by the Postal Service.
- f. Please confirm that Postal Service fee payments to foreign postal operators are a cost to the Postal Service for the cashing of Postal

Service-issued international money orders by such operators, and should be treated as a cost in the ICRA. If not confirmed, please explain why such fee payments to foreign postal operators should not be treated as costs in the ICRA.

8. The following question concerns Market Dominant Global Direct Entry with Foreign Postal Administrations. In Docket No. R2013-1, the Postal Service added a \$0.01 handling charge for foreign-origin, inbound direct entry First-Class Mail Machinable Single-Piece Letters, Single-Piece Postcards, Single-Piece Flats, and Single-Piece Parcels tendered by foreign postal operators, subject to the terms of an “authorization arrangement.”³ The handling charge took effect January 27, 2013, and remained in effect during FY 2014.
 - a. Please identify the foreign postal operators that entered foreign-origin, inbound direct entry items pursuant to an authorization arrangement during FY 2014.
 - b. Prior to Commission regulation of market dominant products pursuant to the PAEA, the Postal Service concluded arrangements for global direct entry with eight foreign postal operators. Please identify the foreign postal operators with arrangements that predate the PAEA, and explain whether any of those arrangements were superseded by an authorization arrangement during FY 2014.
 - c. Refer to Library Reference USPS-FY14-NP2, Excel file “Reports (Booked).xls,” worksheet tab A Pages (md), Table A-2. Please provide the financial results for those Global Direct Entry with Foreign Postal Administrations shown in Table A-2 separately for foreign postal operators that entered global direct entry items pursuant to arrangements that predate the PAEA and for those with authorization arrangements concluded during FY 2014.

³ Docket No. R2013-1, United States Postal Service Notice of Market-Dominant Price Adjustment, October 11, 2012, at Attachment A at 4, 5, 13, 15.

9. The following question concerns the FY 2014 International Cost and Revenue Analysis (ICRA) report and the Foreign Postal Settlement (FPS) system. Inbound revenue reported in the imputed version of the FY 2014 ICRA differs from inbound revenue reported in the booked version of the FY 2014 ICRA, or the Revenue, Pieces and Weight (RPW) report. In addition, costs for outbound products reported in the imputed and booked versions of the FY 2014 ICRA differ.
- a. The Postal Service has previously identified technical and other issues that precluded the Postal Service from reporting international revenues and costs by product in a single or unified version of the FY 2013 ICRA that is consistent with the Postal Service's financial statements.⁴ Please discuss Postal Service actions during FY 2014 to resolve the technical and other issues identified in the Postal Service Response to CHIR No. 6, question 6(b).
 - b. Please confirm that the Postal Service has no plans to prepare a single or unified version of the FY 2015 ICRA that is consistent with the Postal Service's financial statements. If not confirmed, please explain and discuss the priority the Postal Service attaches to preparing a single or unified version of the FY 2015 ICRA (or any future fiscal year).
10. The following questions concern the system of bonus payments and related service features administered by the UPU for Inbound Air and Surface Parcel Post (at UPU rates).
- a. For CY 2013 and CY 2014, please provide the required service features for bonus payments under the UPU inward land rate bonus system and the corresponding percentages.
 - b. For CY 2013, please provide the results of the Postal Service's final annual measurements for purposes of the inward land rate bonus.

⁴ Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 6, February 18, 2014 (Postal Service Response to CHIR No. 6).

- c. For CY 2014, please provide the results of the Postal Service's most recent calendar year measurements for purposes of the inward land rate bonus.

Standard Mail

11. The Postal Service states that the passthrough for Automation AADC Letters is 136.5 percent. FY 2014 ACR at 21. However, Library Reference USPS-FY14-3, Excel file "FY14.3 Worksharing Discount Tables.xlsx," tab 'Standard Mail Letters' reports a passthrough of 137.5 percent for Automation AADC Letters. Please reconcile the two reported amounts.
12. Library Reference USPS-FY14-3, Excel file "FY14.3 Worksharing Discount Tables.xlsx," tab 'Standard Mail Flats' reports different avoided costs for commercial Automation 5-Digit Flats (\$0.085) and nonprofit Automation 5-Digit Flats (\$0.049). Please explain why these two categories have different avoided costs.
13. Library Reference USPS-FY14-3, Excel file "FY14.3 Worksharing Discount Tables.xlsx," tab 'Standard Mail Flats' reports that the discount for nonprofit Automation 5-Digit Flats exceeds avoided costs. However, the FY 2014 ACR does not discuss this discount. Please provide an explanation for why this discount exceeds avoided costs and provide a statutory justification pursuant to 39 U.S.C. § 3622(e).

Customer Access

14. Please provide an Excel spreadsheet showing all offices under suspension in FY 2014, including the following data for each such office:
 - a. Office Name
 - b. Office Type (PO, Station, Branch or other)
 - c. EAS-level or POStPlan level, as applicable
 - d. City
 - e. State
 - f. Zip Code
 - g. Date Suspended
 - h. Date Reopened (if applicable)

- i. Suspension Reason
 - j. Discontinuance Proposal Posting Date
 - k. Date of Community Meeting
 - l. Date of Posting of Final Determination to Discontinue (if applicable)
15. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Unit Type (Community Post Office (CPO) or Contract Postal Unit (CPU), Location (City and State), and 5-Digit ZIP Code for the following:
- a. CPUs and CPOs in existence at the beginning of FY 2014
 - b. CPUs and CPOs newly established in FY 2014
 - c. CPUs and CPOs closed in FY 2014
 - d. CPUs and CPOs in existence at the end of FY 2014
16. Please provide a copy of the Collection Point Management System (CPMS) database as of the end of FY 2014.
17. How many Automated Postal Centers (APCs) were in operation as of the end of FY 2014? Please describe any formal plan(s) for the addition of more APCs during FY 2015.
18. Please provide an update for FY 2014 of the table entitled, “Retail Revenue by Channel” as shown in Postal Service Response to CHIR No. 1, question 5.⁵
19. Please provide the proportion of collection boxes for which the last mail pick-up time is:
- a. Midnight to 11:59 a.m.
 - b. Noon to 2:59 p.m.
 - c. 3:00 p.m. to 4:59 p.m.
 - d. 5:00 p.m. to 6:59 p.m.
 - e. 7:00 p.m. to 11:59 p.m.

⁵ Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-3, 5-10 and 12 of Chairman’s Information Request No. 1, January 13, 2014 (Postal Service Response to CHIR No. 1).

20. Please provide an update of Library Reference USPS-FY13-NP28 for FY 2014.
21. Please provide the number of POSTPlan level 2, level 4, and level 6 offices where the realignment of office hours pursuant to POSTPlan had not yet taken place by October 1, 2014.

By the Acting Chairman.

Robert G. Taub